

EXHIBIT 6

COUN

SUPREME COURT OF THE STATE OF NEW YORK

AXA REASSURANCE, S.A., *

Plaintiff *

VS. * INDEX NO. 99-121290

CHASE MANHATTAN BANK, * (Gammerman, J.) STIRLING COOKE BROWN

HOLDINGS, LTD., STIRLING *COOKE BROWN REINSURANCE *

BROKERS, LTD., SAWTANTAR *SHARMA, GEORGE LITTO *

PICTURES, INC., * Defendants *

* * * * *

ORAL DEPOSITION OF THOMAS MURPHY

* * * * *

ORAL DEPOSITION OF THOMAS MURPHY, produced

as a witness at the instance of the Defendant, taken
in the above-styled and -numbered cause on the 28th
day of August, 2001, beginning at 8:32 a.m., before
Wendy Watson, a Certified Shorthand Reporter in and
for the State of Texas, at the Dallas Marriot,
located at 223 West Las Colinas Boulevard, Irving,
Texas, in accordance with the New York Rules of Civil
Procedure and the agreement hereinafter set forth.

A P P E A R A N C E S

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E X H I B I T L I S T

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800	Document Entitled	157	158	
	"Indemnification Agreement Among			New Hampshire Insurance Co
	acting through its Agent AIG			Europe U.K., Ltd., AXA Reassur
	U.K., PLC, and Destination Films"			
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REPORTER'S NOTE: All exhibits were retained by Mr.

1 P R O C E E D I N G S

2 THE REPORTER: Do y'all -- I don't
3 know how you do it in New York. Do you have any
4 agreements before I swear him in?

5 MR. BANNIGAN: They've had a usual
6 stipulation thing. You want to read it and you want
7 to sign it, and you don't have to do it before the
8 same notary.

9 MR. COTTON: Right.

10 MR. BANNIGAN: Nothing gets filed.

11 THOMAS MURPHY,
12 having been first duly sworn, testified as follows:

13 EXAMINATION

14 BY MR. BANNIGAN:

15 Q. Would you please state your full name and
16 give us your business and home address.

17 A. Thomas Michael John Murphy, 1303 Plantation
18 Drive, Southlake, Texas.

19 Q. This morning, let me -- first of all, let
20 me introduce myself formally on the record. My name
21 is Gene Bannigan. I'm with the firm of Morgan, Lewis
22 & Bockius. We represent Chase Manhattan Bank in the
23 matter of Chase Manhattan Bank versus the New
24 Hampshire Insurance Company, AXA Reassurance, pending
25 in the Supreme Court, State of New York, before

1 Justice Gammerman.

2 This morning, I'm going to be asking you
3 some questions relating to an insurance product known
4 as GAP film financing, and it goes by various other
5 names too, but that's generally what it's being
6 called, GAP financing.

7 If you have any questions or you don't
8 understand my questions, please let me know and I'll
9 try to rephrase the question so that we have a record
10 that's usable. Okay?

11 A. Uh-huh.

12 Q. Okay. And --

13 MR. KLINE: Is it okay if -- I meant
14 to mention this to you before. Is it okay if I put a
15 short statement on the record? Is that a problem?

16 MR. BANNIGAN: I don't mind.

17 MR. KLINE: I'm sorry to interrupt --
18 I can do it at the end, if it's better.

19 MR. BANNIGAN: No, no. Help yourself.

20 MR. KLINE: I just want to say that my
21 name is Jonathan Kline. I represent Heath Lambert
22 Group, Heath Insurance Broking, Heath North America,
23 and Special Risks and Roger Bassett. And we're
24 participating in these depositions pursuant to
25 Justice Gammerman's June 11, 2001, order.

1 We take exception to certain parts of that
2 order, and we reserve the right to reconduct this
3 deposition in the J & M litigation, with respect to
4 the Texas Funeral History Being Made at Night and
5 Bruno cases.

6 THE REPORTER: The night name? I'm
7 sorry.

8 MR. KLINE: History is Made at Night.

9 MR. BANNIGAN: These are all movies
10 you've undoubtedly seen.

11 Q. (BY MR. BANNIGAN) Just to add to -- very
12 briefly to what Mr. Kline said, this is a deposition
13 in one case. There are a number of cases, all
14 involving film finance. It's not my intention to go
15 into the facts of those other cases, except to the
16 extent that there may be some overlap with the
17 particular films and issues that are involved in this
18 case.

19 Okay. Could you tell us how you're
20 employed?

21 A. I'm employed for TIG Insurance. I'm their
22 director of reinsurance.

23 Q. Okay. And what is TIG Insurance?

24 A. It's a commercial insurance company.

25 Q. And where is that located?

1 A. Right across the pond, Irving, Texas.

2 Q. All right. And how long have you been
3 employed there?

4 A. A year.

5 Q. A year would go back to 2000 and roughly
6 what, what month?

7 A. September.

8 Q. September. Okay. And before that, how
9 were you employed?

10 A. I was self-employed, a start-up outsource
11 accounting firm.

12 Q. And where is that business located?

13 A. Bridgewater, New Jersey.

14 Q. And are you a CPA?

15 A. No.

16 Q. Would you explain to me what this company
17 was?

18 A. It was a venture between myself and my CPA,
19 starting up a new business venture.

20 Q. Okay. And what was the -- aside from the
21 profit, what was the goal of the company? What was
22 its function?

23 A. Outsource accounting services for small
24 businesses.

25 Q. Okay. Does that business still exist?

1 A. Uh-huh.

2 Q. Are you still affiliated with it in any
3 way?

4 A. Uh-huh. I'm an investor.

5 Q. So you're not involved in the operation of
6 that business?

7 A. (Moves head side to side.)

8 Q. Let me go back to -- is it TIG Insurance?

9 A. Yes.

10 Q. What does TIG stand for?

11 A. I don't believe it stands for anything now.

12 Q. Okay.

13 A. The history of the company was it was
14 Transamerica Insurance Group's casualty operations,
15 and I believe they kept the initials.

16 Q. And is it still part of that empire?

17 A. No. It's owned by a Canadian holding
18 company.

19 Q. The name of which is?

20 A. Fairfax.

21 Q. And did you say you were the director of
22 reinsurance?

23 A. Uh-huh.

24 Q. Okay. And is the -- withdrawn.

25 Are you involved in actually underwriting

1 insurance?

2 A. No. This is ceding reinsurance. This is,
3 in effect, buying reinsurance for an insurance
4 company.

5 Q. So you act as an intermediary?

6 A. No. I act as the buyer.

7 Q. For insurance companies that are within the
8 same group?

9 A. Yes.

10 Q. Why don't you give me the corporate
11 structure of TIG, from its -- the holding company to
12 its subsidiaries.

13 A. Well, if you've been involved in major
14 insurance companies, the holding company -- the
15 structure gets quite complex. And I couldn't list
16 for you all the different subsidiaries, but --

17 Q. Why don't you make it as simple as
18 possible.

19 A. Fairfax --

20 Q. Give me a 30-second explanation.

21 A. Fairfax Holdings, the Canadian company,
22 owns a variety of insurance companies in the United
23 States, one of which is TIG Holdings, which owns TIG
24 Insurance, the TIG Insurance Company in various
25 states. TIG Holdings actually also owns Odyssey

1 Reinsurance, which is separately managed and has
2 nothing to do with my activities for the company.

3 Q. Okay. Let me just see if I understand. I
4 don't want to spend a lot of time. But TIG, the
5 company that you work for, does not write reinsurance
6 or insurance, but places reinsurance for insurance
7 companies?

8 A. No.

9 Q. Is that correct?

10 A. No. TIG is -- TIG is an insurance company.

11 Q. Okay.

12 A. And any major insurance company buys
13 reinsurance, in effect, sharing the risk of the
14 business that it writes on what's called a treaty
15 basis.

16 Q. Okay. Treaty reinsurance, right.

17 A. And every major insurance company, there's
18 a reinsurance department which manages that function,
19 manages the outward reinsurance.

20 Q. Now, are we talking about retrocessional
21 insurance now?

22 A. Retrocessional insurance is the reinsurance
23 of reinsurance companies.

24 Q. Right.

25 A. Reinsurance is the reinsurance of insurance

1 companies.

2 Q. Correct. And you're involved in that
3 reinsurance of the insurance company?

4 A. Yes.

5 Q. Not involved in retrocessional placements?

6 A. That's correct.

7 Q. Okay. Now, by training, is that an area of
8 expertise that you have been involved in for some
9 period of time?

10 A. In my 25 years in the insurance business,
11 I've had two tours of duty in reinsurance functions
12 with the Hartford Insurance Group.

13 Q. Hartford?

14 A. (Moves head up and down.)

15 Q. And when was that? Or when were those two
16 occasions, if there were two?

17 A. 1985 through '86 and 1992 through '95.

18 Q. Okay. Let me go back to the accounting
19 business that you established. Prior to establishing
20 that business with your CPA, how were you employed?

21 A. With AIG.

22 Q. Were you with a specific unit of AIG?

23 A. AIU, American International Underwriters.

24 Q. And when did you begin your employment
25 with -- for simplicity sake, since there's lots of

1 alphabet soup letters here, I'll call it AIG, unless
2 I want to refer to a specific other company, in which
3 case I will try to use the name of the other company.
4 Is that okay, or would you prefer it some other way?

5 A. Well, it's okay, but I would suggest that
6 for your accuracy that AIU is more accurate.

7 Q. Okay. Is AIU a separate company?

8 A. Yes.

9 Q. And did you join AIU in 1995 or '96?

10 A. I joined them in '96, yes.

11 Q. And that was after your last tour at
12 Hartford?

13 A. Right.

14 Q. Was there anything between Hartford and AIU
15 in terms of employment?

16 A. No.

17 Q. And when you joined AIU, what was the
18 position that you came in as?

19 A. Specialty casualty profit center manager.

20 Q. I'm sorry. The last part?

21 A. Profit center manager.

22 Q. Profit center manager. And where was AIU
23 located?

24 A. 70 Pine Street, Manhattan, New York, New
25 York.

1 Q. And what were your duties -- withdrawn.

2 Did you have a title?

3 A. Senior vice president.

4 Q. What were your duties as senior vice
5 president of special casualty profit center
6 management?

7 A. The specialty casualty division was a new
8 one really created upon my arrival to develop three
9 lines of business outside the U.S. that AIG does
10 routinely in the U.S.

11 Q. What were the three lines of business?

12 A. Medical malpractice or medical professional
13 liability, environmental liability, and
14 entertainment.

15 Q. Are those products currently written in the
16 U.S. -- withdrawn.

17 At the time that you were asked to organize
18 this -- these new products for underwriting, I take
19 it, outside the U.S., were those products written in
20 the U.S. by an AIG company?

21 A. Uh-huh.

22 Q. What AIG company was writing those products
23 at that time?

24 A. I would imagine a number of them. I
25 believe environmental was Commerce and Industry. If

1 you're at all familiar with AIG, you know they have a
2 long list of writing companies.

3 Q. Yes.

4 A. And I imagine that the other coverages were
5 written in a variety of different AIG companies.

6 Q. Now, when you joined AIU, was there already
7 a business plan established to accomplish the goal
8 that you've just described, that is --

9 A. No.

10 Q. -- establishing underwriting for these
11 different lines of business?

12 A. (Moves head side to side.)

13 Q. Was one of your -- withdrawn.

14 What were your responsibilities at the time
15 you were hired?

16 A. To develop medical professional business
17 outside the U.S. and environmental and entertainment.

18 Q. Okay. And how did you go about doing that?

19 A. It wasn't easy. First, wrote a business
20 plan for the medical professional area, made a number
21 of trips overseas, really fact-finding missions,
22 learning what the opportunities might be.

23 For the entertainment business, there was
24 already an individual employed by AIU with specific
25 expertise in entertainment business.

1 Q. Who was that?

2 A. Peter Gumbrecht.

3 Q. And he already worked at AIU at the time?

4 A. Uh-huh.

5 THE REPORTER: What was that last name
6 again? I'm sorry.

7 THE WITNESS: Gumbrecht,
8 G-u-m-b-r-e-c-h-t.

9 Q. (BY MR. BANNIGAN) And Mr. Gumbrecht worked
10 at AIU in New York at that time?

11 A. Yes.

12 Q. Okay. The other lines? Well -- withdrawn.

13 That's all that was done as far as
14 entertainment? Gumbrecht worked there, that was it?
15 Or was a business plan developed?

16 A. This was on the ground floor. Gumbrecht
17 wrote a business plan for entertainment.

18 Q. Did he, like you, go on fact-finding trips,
19 to your knowledge?

20 A. No, because entertainment business was a
21 great deal different than medical professional --

22 Q. I hope so.

23 A. -- from the standpoint of how prevalent the
24 exposures were internationally. Let me see if I can
25 explain what I mean.

1 MR. COTTON: Could I get you to read
2 the question again, please, before you answer it?

3 (Requested portion was read.)

4 MR. COTTON: You can continue that
5 one.

6 A. He did not go on fact-finding trips,
7 because the nature of the business is that it's --
8 virtually all entertainment business finds its way to
9 London, outside the U.S.

10 Q. (BY MR. BANNIGAN) And that has been
11 historically true?

12 A. Yes.

13 Q. Okay. Now, let me just go back a bit. I
14 think you said that before the establishment of AIU,
15 these lines of business -- I believe four that you
16 mentioned -- were already written by other AIG
17 companies?

18 A. There were three.

19 Q. Three? Okay. There was medical mal --

20 A. Professional.

21 Q. -- and professional liability,
22 entertainment, and environmental?

23 A. (Moves head up and down.)

24 Q. Those three were being written. Now, you
25 just testified that the entertainment business tended

1 to migrate to London?

2 A. The entertainment business outside of the
3 U.S.

4 Q. What does that mean by entertainment
5 outside the U.S.? Let me give you a hypothetical.
6 Somebody wants to make a movie in Hollywood, and they
7 want to buy insurance. Does that business normally
8 migrate to London?

9 A. It can.

10 Q. Under what circumstances?

11 A. It's really the choice of the insurance
12 broker.

13 Q. Okay. What was the basis for your
14 testimony that that business tended to migrate to
15 outside the U.S.?

16 A. When I talked about business migrating to
17 London, I was referring to business from outside the
18 U.S., for example, Malaysia, Hong Kong, and that was
19 a major focus.

20 Q. Not U.S. risks that you were focusing on
21 underwriting outside the U.S.; it was risks from
22 every other place in the world?

23 A. Yes.

24 Q. Okay. And to the extent that U.S. risks
25 happened to migrate there, that was simply sort of on

1 an ad hoc basis?

2 A. Yes.

3 Q. Now, were entertainment risks being written
4 in the U.S. for U.S. risks at the time you joined
5 AIU?

6 A. Yes.

7 Q. Okay. And do you recall which insurance
8 company within the AIG group was writing that
9 business?

10 A. There were at least two.

11 Q. Okay. What were they?

12 A. One was Lexington, and the other, I'm not
13 sure of. It might have been American Home.

14 Q. And to your knowledge, was Mr. Gumbrecht
15 involved in any of that underwriting at the time you
16 came to AIU?

17 A. Peter wrote for AIU.

18 Q. Okay. AIU is not an insurance company
19 though, correct?

20 A. If your question is: What were the writing
21 companies, AIG --

22 Q. No, I asked -- my question is whether AIU
23 is an insurance company?

24 A. AIU, I believe, is a managing underwriter
25 for the fleet of AIG companies.

1 Q. Okay. It writes for other companies --

2 A. (Moves head up and down.)

3 Q. -- that are actually the insurance
4 companies?

5 A. The licensed insurance companies in the
6 various jurisdictions.

7 Q. So Mr. Gumbrecht was writing for -- using
8 entertainment as a product -- perhaps, for the
9 Lexington and perhaps for the other company that you
10 mentioned, which was American Home, did you say?

11 Let me rephrase the question and go back.
12 AIU does the underwriting or did the underwriting, at
13 that time, for other licensed insurance companies --

14 A. Yes.

15 Q. -- within the AIG group; is that correct?

16 A. That's correct.

17 Q. Some, but not all of those companies, wrote
18 entertainment risks, correct?

19 A. Yes.

20 Q. Mr. Gumbrecht was an employee of AIU who
21 specialized in entertainment risks, correct?

22 A. Yes.

23 Q. At the time you joined AIU, was
24 Mr. Gumbrecht already there?

25 A. Yes.

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1 Q. At the time you joined AIU, for what
2 companies, if you know, was he actually underwriting
3 insurance -- entertainment insurance risks?

4 A. To answer that question, I'll have to
5 describe for you a little bit how AIU works.

6 Q. Okay.

7 A. You're right, AIU is an underwriting -- I
8 think a managing -- technically, a managing
9 underwriting company who writes on the paper, if you
10 will, of the insurance company licensed in the
11 individual jurisdictions.

12 Q. Right.

13 A. New Hampshire, for example, was a -- was
14 one of the AIG companies licensed to write business
15 in the U.K. I'm not -- I would not recall,
16 specifically, what were the companies that were
17 licensed in individual countries, because that's not
18 what we focused on. It was simply we were writing
19 the business, and all the licensing and the
20 appropriate company to use was handled else where.

21 Q. All right.

22 A. Does that answer your question?

23 Q. No, I don't think so.

24 MR. COTTON: He wants to know which
25 companies, if you know?

1 Q. (BY MR. BANNIGAN) I want to know: If you
2 know, what companies was Mr. Gumbrecht actually
3 underwriting entertainment risks for at the time that
4 you joined AIU?

5 A. I can tell you in most cases, it was New
6 Hampshire. It certainly was not Lexington. I don't
7 believe we used American Home in any jurisdictions
8 that we wrote entertainment business, but I'm not
9 sure of that.

10 Q. Okay. Now, to go back very briefly, it was
11 your understanding at the time that New Hampshire was
12 licensed to write insurance products in the United
13 Kingdom, right?

14 A. Correct.

15 Q. Do you know whether Lexington was licensed
16 to write business in the U.K.?

17 A. I believe they are.

18 Q. Okay. They didn't write through a managing
19 general agency in the U.K., to your knowledge?

20 A. No.

21 Q. And you didn't believe that American Home
22 was writing through the U.K.; is that correct -- let
23 me rephrase that.

24 Was American Home writing entertainment
25 risks at the time you joined AIU?

1 A. Not to my knowledge.

2 Q. Okay.

3 A. I'm sorry. Outside the U.S.

4 Q. It was writing it in the U.S.?

5 A. I believe they were.

6 Q. Now, was New Hampshire writing
7 entertainment risks in the U.S.?

8 A. I don't believe so.

9 Q. Was Lexington writing entertainment risks
10 in the U.S.?

11 A. Yes.

12 MR. COTTON: Gene, can I jump in for a
13 minute?

14 MR. BANNIGAN: Sure.

15 MR. COTTON: I don't think we have a
16 definitional problem. But when you say was New
17 Hampshire writing entertainment risks in the U.S., I
18 assume you mean by his definition, meaning out of a
19 U.S. --

20 MR. BANNIGAN: Meaning the source of
21 the business, which is the way he defined it before.
22 If it was a risk from Singapore, that was being
23 written in England. If it was a risk from Hollywood,
24 with exceptions, it was being written in the U.S.
25 That's the way I understood it.

1 MR. COTTON: I just wanted to make
2 sure that exception was in there because of the
3 unique circumstance of this case. We have a risk in
4 the U.S. placed in London.

5 MR. BANNIGAN: Well, I'm going to get
6 to this case. I just want to find out what the lay
7 of the land was when Mr. Murphy came to AIU. That's
8 all. I won't spend a lot more time on it, but --

9 Q. (BY MR. BANNIGAN) To your knowledge, was
10 Mr. Gumbrecht writing entertainment risks that were
11 sited in the U.S. at the time that you joined AIU?

12 A. No.

13 Q. Okay. Do you know where -- withdrawn.

14 Were you hired -- when you were hired, was
15 AIU in operation?

16 A. Yes.

17 Q. Had it been -- for how long a period of
18 time had it been in operation?

19 A. AIG started in China, so I guess you could
20 say in 1919.

21 Q. So AIU was always part of AIG for this
22 whole period of time?

23 A. AIU is really the original company, if you
24 look at it that way. American International started
25 in China in 1919.

1 Q. All right. Just let me understand then the
2 scope of AIU. When you joined, you were the senior
3 vice president of the casualty -- special casualty
4 profit center management?

5 A. (Moves head up and down.)

6 Q. Was that a -- that was a new group within
7 AIU that was designed to write these three products
8 that were being generated outside the U.S.?

9 A. Correct.

10 Q. Okay. And was Mr. Gumbrecht, at the time
11 you joined AIU, a member of that -- let's call it a
12 division?

13 A. Yes.

14 Q. Okay. So was he -- he was already writing
15 entertainment risks that were being generated outside
16 the U.S.?

17 A. He was writing entertainment business as
18 part of the casualty division prior to my arrival.
19 Upon my arrival, a specialty casualty division was
20 formed and entertainment business was moved into that
21 new division.

22 Q. And he moved into that division at that
23 point?

24 A. Such as it was.

25 Q. How many employees were there in the

1 division at the time that you joined?

2 A. One.

3 Q. You and Gumbrecht?

4 A. (Moves head up and down.)

5 Q. That's two. When you joined -- okay --
6 Gumbrecht was there?

7 MR. COTTON: You got him.

8 A. You got me. Gumbrecht was the first.

9 Q. (BY MR. BANNIGAN) Just so that the record
10 is clear, we've been talking about entertainment
11 risks. What definition, if any, do you have --

12 A. Excuse me. Let me correct that statement.
13 There were actually two. There was an underwriter
14 for environmental as well.

15 Q. Okay. I don't think we need his name or
16 her name.

17 Just so that the record is clear, when we
18 talk about entertainment risks, how do you define
19 that as the head of the special casualty project
20 center manager?

21 MR. COTTON: How did you define it?

22 MR. BANNIGAN: Excuse me?

23 MR. COTTON: How did you define it?

24 Q. (BY MR. BANNIGAN) Do you have a definition
25 for it?

1 A. Our major focus were for event liability,
2 cancellation coverage, and prize indemnity.

3 Q. I'm sorry. The last one?

4 A. Prize indemnity.

5 Q. Prize? Okay.

6 A. But there were a long list of -- how would
7 you describe it -- niche products that were available
8 in the London market. And to the extent that Lloyd's
9 treated it as entertainment business, so did AIU.
10 Like many areas of insurance, it's very difficult to
11 define.

12 Q. No, I understand. I just wanted to get the
13 major products within the group. You said there's
14 event liability, cancellation. That's also known as
15 contingency insurance?

16 A. Uh-huh.

17 Q. And prize and indemnity insurance, and that
18 defines itself, I think.

19 A. Also package policies for movie productions
20 and theatrical productions.

21 Q. And what would those be, just general
22 liability, workman's compensation?

23 A. A package policy is a combination of
24 property coverages and general liability and
25 sometimes auto.

1 Q. All right. Within the definition of
2 entertainment insurance, at the time you joined AIU,
3 was one of the products that you were familiar with
4 what has become known as GAP film financing
5 insurance?

6 A. No.

7 Q. Okay. Was that a product that you had even
8 heard about before you joined AIU?

9 A. No.

10 Q. I'll come back to that. Did you -- did
11 AIU -- rephrase that.

12 Once AIU, the special casualty project
13 management center got up and operating, did it have
14 any responsibilities for writing reinsurance on
15 behalf of any of the companies for whom it had the
16 pen?

17 A. It was not uncommon for -- on a facultative
18 basis --

19 Q. Okay.

20 A. -- for us to share risks. So, yes,
21 reinsurance -- assuming reinsurance facultatively was
22 something that was done.

23 Q. But that would be on a risk-specific basis?

24 A. Correct.

25 Q. With respect to treaty insurance, did the

1 division that you were responsible for have any
2 responsibility for any kind of treaty reinsurance
3 protection for any of the business that it was
4 writing?

5 A. Buying treaty protection?

6 Q. Yeah.

7 A. We were involved. AIG had, as does TIG, a
8 reinsurance department, which function is to manage
9 the process of buying that. But at AIG, the profit
10 center managers were involved in the process,
11 explaining to the reinsurance markets what the
12 business was and helping in the placement.

13 Q. Is that organization that you're alluding
14 to something called SAIL?

15 A. No.

16 Q. Okay. What's SAIL?

17 A. SAIL, to my understanding, is, in effect, a
18 reinsurance broker in Europe. I believe -- well,
19 what I believe doesn't matter.

20 Q. Are you aware that SAIL is an organization
21 within the AIG group?

22 A. I was going to say I believe it's owned by
23 AIG.

24 Q. Did you have any business conduct --
25 withdrawn.

1 Did you have any business contact with SAIL
2 during the period of time that you were head of the
3 division that was set up for you to run?

4 A. Not directly, no.

5 Q. What does that mean, "not directly"?

6 A. I did not.

7 Q. Did other people who worked for you, at
8 your request --

9 A. Yes.

10 Q. -- or pursuant to their normal business
11 duties have contact?

12 A. Yes.

13 Q. Okay. And what were the nature of those
14 contacts?

15 A. Processing reinsurance.

16 Q. When you say "reinsurance" now, are we
17 talking about treaty, or are we talking about
18 facultative?

19 A. Facultative.

20 Q. So let me understand the structure. If an
21 underwriter in AIU -- withdrawn.

22 You did have underwriters in AIU, correct?

23 A. (Moves head up and down.)

24 Q. Mr. Gumbrecht was one of them?

25 A. Uh-huh.

1 Q. And there were others? I think you said --
2 you even mentioned that there was an entertainment --
3 environmental underwriter?

4 A. Correct.

5 Q. If one of those individuals wished to buy
6 facultative reinsurance with respect to a specific
7 risk that they were underwriting, they would use the
8 facilities of SAIL in order to arrange that?

9 A. Yes.

10 Q. And how would they go about that, as you
11 understand the structure?

12 A. Anytime you're placing facultative
13 reinsurance, you have two major options. You either
14 do it through direct markets, which means that you
15 deal directly with reinsurers, or you do it through
16 an intermediary. SAIL was an intermediary.

17 Q. SAIL acted basically to go out and buy
18 reinsurance protection for the direct writing
19 companies of the AIG group?

20 A. Yes.

21 Q. Okay. Now, reverting back to treaty
22 reinsurance. To the extent that -- let me give you a
23 hypothetical -- you wished to buy a treaty protectant
24 for all of the entertainment business that was being
25 written by the AIU underwriters, to what organization

1 within the AIG group would you go to arrange that
2 treaty?

3 A. The reinsurance department.

4 Q. And that's what it was called, the
5 reinsurance department?

6 A. Not very clever.

7 Q. Okay. And who -- at the time that you were
8 with AIU, who was the individual who headed that
9 department?

10 A. Chris Milton.

11 Q. Milton?

12 A. (Moves head up and down.)

13 Q. And was Mr. Milton still there when you
14 left AIU?

15 A. I believe so.

16 Q. And was he there when you came?

17 A. Yes.

18 Q. And during that period of time prior --
19 withdrawn.

20 During that entire period of time, he was
21 the senior executive in charge of reinsurance?

22 A. Yes.

23 Q. We'll come back to him later. Let me come
24 back to -- I'm going to try now to focus simply on
25 the entertainment products that were in the division

1 that you were running.

2 About 15 minutes ago, you said, in response
3 to a question of mine, that Mr. Gumbrecht did not
4 take trips like you did to fact-find, but that he did
5 write a business plan?

6 A. (Moves head up and down.)

7 THE WITNESS: Should I always say yes
8 instead of shaking my head?

9 THE REPORTER: Absolutely, yes.

10 THE WITNESS: I'm sorry.

11 Q. (BY MR. BANNIGAN) Aside from writing the
12 business plan, which I'll come back to, what else did
13 Mr. Gumbrecht do, to your knowledge, in order to put
14 AIU in a position to begin to underwrite
15 entertainment risks generated outside of the U.S.?

16 A. Could you repeat the question?

17 MR. BANNIGAN: Read it back.

18 (Requested portion was read.)

19 A. Well, a decision had been made, really
20 simultaneously with my arrival, to locate Peter in
21 London as a logical place for him to develop
22 entertainment business outside the U.S. So his move
23 to London was really the primary device for him to
24 develop that business.

25 Q. (BY MR. BANNIGAN) Okay. Now, do you know

1 who it was within the AIG group of companies that
2 made the initial decision that a special casualty
3 profit center should be established to write
4 entertainment risks outside of the U.S.?

5 A. I can -- not having been at the meeting, I
6 can only speculate.

7 MR. COTTON: Well, I don't think we
8 allow speculation.

9 Q. (BY MR. BANNIGAN) You weren't at the
10 meeting, right? What meeting?

11 A. I presume, somewhere along the line, they
12 had to have a meeting to say let's have a specialty
13 casualty profit center.

14 Q. Well, sounds like that, but I don't know.
15 I don't know how the company worked.

16 MR. COTTON: You're not alone.

17 Q. (BY MR. BANNIGAN) How did you come to
18 learn, for the first occasion, that this profit
19 center was being set up?

20 A. Tom Tizzio.

21 Q. And who was that gentleman?

22 A. President of AIG.

23 Q. He contacted you?

24 A. I was being interviewed by a number of
25 senior executives at AIG.

1 Q. In other words, you were looking for a
2 position?

3 A. They approached me.

4 Q. You were looking to change positions?

5 A. They had approached me.

6 Q. And in the course of those interviews, you
7 learned that this special profit center was being set
8 up?

9 A. (Moves head up and down.)

10 Q. And the man's name is Tizzio, with a "T"?

11 A. Yes.

12 Q. And is he still there?

13 A. Uh-huh.

14 Q. And what did he say to you, and what did
15 you say to him about this profit center?

16 A. They noted in my background that I was an
17 experienced medical professional underwriter. They
18 were starting up this new division. One of the key
19 coverages would be medical professional. They asked
20 me if I would be willing to start it up for them.

21 Q. Okay. We know the answer. Was there any
22 writing provided to you which sort of outlined the
23 concept of this new profit center?

24 A. No.

25 Q. Okay. So when you walked in, you just had

1 an understanding that you were supposed to establish
2 this profit center that was supposed to begin to
3 write three lines of business that were being
4 generated outside the U.S.; is that correct?

5 A. Uh-huh.

6 Q. Okay. And who besides Mr. Tizzio did you
7 discuss your employment with?

8 A. Evan Greenberg.

9 Q. And what was Mr. Evan Greenberg's position
10 at that time?

11 A. He was president of AIU.

12 Q. What did you and Mr. Greenberg talk about?

13 Well, let me rephrase that. Let me rephrase that.
14 That's too general.

15 With respect to the establishment of this
16 profit center, what did Mr. Greenberg say to you, and
17 what did you say to him?

18 A. I don't remember the conversation in exact
19 detail, but it was a general conversation about my
20 background and his description of what -- I believe
21 when I met with Evan, it was before I met with Tom
22 Tizzio. And the subject of the specialty casualty
23 division had not been broached at that point.

24 Q. It had not been brought up in your
25 discussion with Mr. Greenberg?

1 A. Correct, in the first conversation.

2 Q. Okay. Was it brought up in subsequent
3 conversations?

4 A. Yes.

5 Q. Okay. Do you remember any of the specifics
6 of any of the conversations that you had with
7 Mr. Greenberg about establishing this special
8 division?

9 A. Yes. It's a very simple concept. AIG is
10 world-known for writing these coverages inside the
11 U.S. AIG, through the AIU network, has an unrivaled
12 international network for which to write business.
13 It made sense to see if the worldwide market was
14 interested in these sort of insurance products.

15 Q. These products were not available anywhere
16 in the world except through AIG in the U.S. at the
17 time?

18 A. They were available, but the market
19 certainly had -- far, far from saturated.

20 Q. Now, to your knowledge, had anybody within
21 the AIG group of companies done any study or analysis
22 which was the bases for the decision to form this
23 special unit to underwrite the three lines of
24 business that you've identified outside the U.S.?

25 A. If your question is, was there an empirical

1 analysis, no.

2 Q. Well, any kind of analysis, I would be
3 satisfied with.

4 A. Well, I think it's -- the reasons for
5 establishing it were based on long business
6 experience, in that to grow new lines of business,
7 you need to focus on them.

8 Q. Was there any writing that you're aware of
9 which described this plan to form the special profit
10 center to write these three lines of business outside
11 the U.S.?

12 A. I was not privy to any correspondence.

13 Q. Well, not just correspondence. Memorandum,
14 report, study, anything like that that you saw?

15 A. No.

16 Q. Now, you said that you prepared a business
17 plan with respect to at least one line of the three
18 products, correct?

19 A. Uh-huh.

20 Q. And Mr. Gumbrecht prepared a business plan
21 with respect to the entertainment?

22 A. (Moves head up and down.)

23 Q. Did you get involved in any way in working
24 with Mr. Gumbrecht in his preparation of his plan?

25 A. No. He did it prior to my arrival.

1 Q. Okay. I take it, at some point in time,
2 you had occasion to read it?

3 A. Yes.

4 Q. And what, if anything, do you recall about
5 its contents, since we've not been graced with a copy
6 of it?

7 A. It was fairly brief, high level.

8 Q. Okay. Well, I need a little more
9 substance.

10 A. Just discussion of, you know, the
11 production sources in the U.K.

12 Q. Is that all it talked about was the
13 production sources?

14 A. Largely.

15 Q. What about loss experience? Was that
16 addressed at all in the report?

17 A. The availability of loss data
18 internationally is sparse, to say the least.

19 Q. So the answer is, no, it did not discuss --

20 A. It couldn't.

21 Q. -- albeit brief, the loss exposure and
22 history?

23 A. It couldn't.

24 Q. It couldn't. It couldn't address the
25 experience because, as you said, the information

1 wasn't available.

2 Did the report discuss the exposures that
3 the company would have, where it was, within the
4 various lines of business that were going to be
5 underwritten, that the company was the most exposed?

6 A. Not a lot of time was spent on that because
7 the company was very familiar with the insurance
8 products.

9 Q. It was familiar with it. So the company
10 had its own statistical base of information relating
11 to what we've broadly described as entertainment
12 risks?

13 A. Uh-huh.

14 Q. And when you say "the company," I take it
15 you mean whichever underwriting company was writing
16 that business within the AIG group; is that correct?

17 A. Uh-huh.

18 Q. Did you make any effort to collect that
19 information so that you could try to do some analysis
20 as to where the company would be most exposed
21 overseas?

22 A. No.

23 Q. Do you know whether Mr. Gumbrecht did?

24 A. No.

25 Q. Do you know whether anybody did?

1 A. I don't believe they did.

2 Q. Okay. Now, after the -- after you came on
3 board and you began to organize your profit center,
4 who were your direct reports?

5 A. Peter. I suppose I should ask at what
6 point in time? Because, with a growing division, it
7 changed month by month.

8 Q. Okay. Well, just take me through. All
9 right. Well, just take me through the growth of
10 direct reports up until the time you left, which I
11 think was in December of 1999? If I'm wrong on that,
12 we can clarify it later.

13 A. All right. I'll see what I can do.
14 Certainly, Peter was there, and George Pigault was an
15 environmental underwriter.

16 Q. Is it P-i-g?

17 A. P-i-g-a-u-l-t. George left within two
18 months. The timing is approximate. It might have
19 been three months.

20 Q. That's okay. I'm not too concerned about
21 these other people. Just give me their names, if you
22 can, then we'll move back to the entertainment area,
23 which is where we're more interested.

24 A. Then focused on hiring a more senior
25 manager for environmental; hired someone from the

1 domestic operation. I'm afraid I'm drawing a blank
2 on her name right now.

3 Q. Okay.

4 A. Because she was with us for about two
5 months, then went back to domestic operation. Then
6 hired someone from Swiss Re, Julie -- this is
7 terrible. I worked with her for two years, and I
8 blanked her last name.

9 MR. COTTON: You're still in
10 environmental?

11 THE WITNESS: Yes.

12 MR. COTTON: He's not excited about
13 environmental.

14 Q. (BY MR. BANNIGAN) I'm not going to test
15 your recollection on names. I don't want these
16 people to know you don't know who they are.

17 A. Thank you.

18 Q. Let's focus on the entertainment. Peter
19 Gumbrecht was a direct report, I gather, practically
20 the day you walked in the door?

21 A. (Moves head up and down.)

22 Q. Did Mr. Gumbrecht, at some point in time,
23 leave the company?

24 A. Yes.

25 Q. And did somebody take his place as a direct

1 report to you?

2 A. Yes.

3 Q. Who was that?

4 A. Tim Green.

5 Q. Tim Green. And what about -- did Mr. Green
6 leave at some point in time?

7 A. I believe so.

8 Q. And when he left, did somebody take his
9 place as a direct report to you?

10 A. No. I left.

11 Q. You had already left?

12 A. Yeah.

13 Q. Okay. So the two reports in the
14 entertainment line of business in AIU to you were
15 Peter Gumbrecht, initially, and then, subsequently,
16 Tim Green?

17 A. Correct.

18 Q. Okay. Did AIU, during the period that you
19 were there -- and putting aside Peter Gumbrecht's
20 move to London for a moment -- have any underwriters
21 located in New York who were underwriting
22 entertainment risks that were being generated outside
23 of the U.S.?

24 A. It's possible.

25 Q. Who would that have been?

1 A. If they wrote risks outside of the U.S., it
2 would have been Lexington.

3 Q. Okay. And did AIU special casualty
4 division have any responsibility for underwriting
5 risks that would be insured on Lexington paper?

6 A. No.

7 Q. So within AIU special casualty division,
8 there were no underwriters other than Peter
9 Gumbrecht, for the brief period of time that he was
10 in the U.S., underwriting that kind of business?

11 A. Correct.

12 Q. Okay. And then when he moved to London,
13 there were no underwriters located in the U.S. in
14 your division, underwriting entertainment business;
15 is that right?

16 A. That's correct.

17 Q. Okay. And did that continue to be correct
18 for the entire period of time that you were in charge
19 of this profit center?

20 A. No. We hired an underwriter in New York.

21 Q. And who was that?

22 A. Stuart Kohn.

23 Q. Stuart Kohn?

24 A. (Moves head up and down.)

25 Q. Is it Cohen or Kohn?

1 A. Kohn, K-o-h-n.

2 Q. And what was Mr. Kohn's -- withdrawn. When
3 was Mr. Kohn hired?

4 A. Probably about -- must have been 1997.

5 Q. Why was he hired?

6 A. To really act as liaison for entertainment
7 risks that had international exposures, but were
8 produced domestically.

9 Q. Could you give me an example of such a
10 risk?

11 A. Sure. Take a movie production that is
12 filming in Malaysia, you know, it's maybe a Hollywood
13 film, but they're out on location. They're going to
14 require insurance locally. And many jurisdictions --
15 many countries have insurance regulations similar to
16 the United States in that you can't simply write a
17 policy in the United States and expect it to be valid
18 in Malaysia. So AIU had the ability to write that
19 local policy.

20 Q. Because it had the pen for a Malaysian
21 company?

22 A. A subsidiary of AIG, I guess technically, I
23 think it was AIUOA. I'm not sure how the
24 corporate --

25 Q. So the company -- the issuing company, the

1 policy issuing company was an affiliate of AIG's, but
2 the actual underwriting of the risk would be handled
3 through New York?

4 A. AIU.

5 Q. And was Mr. Kohn writing the entire gamut
6 of entertainment insurance -- withdrawn.

7 Was he writing the same type of
8 entertainment insurance that Mr. Gumbrecht was
9 writing out of London?

10 A. Yes.

11 Q. So he was writing GAP film financing
12 coverage; is that correct?

13 MR. COTTON: Can I have the previous
14 question and answer before this question?

15 (Requested portion was read.)

16 A. No.

17 Q. (BY MR. BANNIGAN) Okay. Why was he not
18 writing that type of insurance?

19 A. Well, first of all, Stuart wrote business
20 according to authority level.

21 Q. Okay.

22 A. And what you term as GAP business is not
23 something anyone had authority for.

24 Q. Okay. So nobody in AIU wrote GAP
25 insurance; is that your testimony?

1 MR. COTTON: I'll object to the form.

2 You can answer.

3 A. I said, had the authority to write it.

4 Q. (BY MR. BANNIGAN) Okay. Well, let me ask
5 the question again. To your knowledge, was anybody
6 in AIU writing GAP film financial insurance during
7 the period of time that you were with AIU?

8 A. Peter did.

9 Q. Okay. Was Peter authorized to write that
10 type of business?

11 A. No.

12 Q. When did you first discover that Peter was
13 writing -- I'll just use the abbreviation -- GAP
14 insurance?

15 A. I did an audit of Peter's book in early
16 1998.

17 Q. When you say you did an audit, did you
18 personally do the audit?

19 A. Yes.

20 Q. Okay.

21 A. And out of the hundred or so policies I
22 looked at -- I guess thousands were written -- I came
23 across one that I didn't understand.

24 Q. Okay. Do you remember the name of that
25 one?

1 A. I don't -- I don't remember a name, but I
2 remember what it was called, sales agent's
3 acquisition expense or something like that.

4 Q. That was one of the names, "Sales Agent's
5 Acquisition." Okay. And when you came across this
6 policy -- when you say you didn't understand it, what
7 do you mean you didn't understand it, I mean, given
8 your long history of underwriting?

9 A. Well, in my long history of underwriting, I
10 had yet to stumble across something called "Sales
11 Agent's Acquisition Expense."

12 Q. Was it simply -- was it simply the name
13 that you didn't understand? Or when you read the
14 coverage, you didn't understand what it was?

15 A. There was no coverage form in the file.

16 Q. There was no coverage form?

17 A. It was simply a binder.

18 Q. Was a policy ever issued with respect to
19 this particular --

20 A. I believe it was.

21 Q. Did you read the policy?

22 A. The policy had not been issued at the time
23 that I was doing the audit.

24 Q. Did you subsequently see the policy?

25 A. Not for that risk, no.

1 Q. Were there other risks that were of a
2 similar type, perhaps going under a different
3 nomenclature, that fell within the category of GAP
4 financing?

5 A. Yes.

6 Q. Have you ever heard of contingency extra
7 expense insurance?

8 A. I believe that was a name used for the same
9 type of business.

10 Q. Okay. And wrapping all of these --
11 withdrawn.

12 Taking all of the nomenclature -- and just
13 for the purposes of this deposition, unless I say
14 otherwise, let's just call it GAP insurance. Okay?

15 A. Okay.

16 Q. Now, did there come a point in time when
17 you saw a policy which purported to be a GAP
18 insurance policy?

19 A. When I did the audit and saw the binder, I
20 asked Peter to explain to me what this coverage was.
21 He did. And then we got into a general discussion as
22 to whether or not this was a product that AIU should
23 be writing.

24 Q. And you said to him what, and he said to
25 you what?

1 A. I said to him, This looks like something we
2 are going to have to get approval to write; write up
3 a position paper as to why we should write this
4 business.

5 Q. And he said to you?

6 A. And he did.

7 Q. He wrote up a paper?

8 A. (Moves head up and down.)

9 Q. Okay. And what did the paper say?

10 A. It attempted to make a business case for
11 why we should write this business.

12 Q. And what did you -- what was the business
13 case that he sought to make, if you remember it?

14 A. That -- it had a variety of arguments in
15 it. One was that this was business that would allow
16 us to write companion business, which was very much
17 part of our business plan.

18 Q. When you say "companion business," what
19 falls within that definition?

20 A. The package policies that would be thrown
21 off by the movie productions financed. Another
22 argument was that we would have to -- we wouldn't
23 need to take much net risk.

24 Q. Let me just stop you there on the net risk.
25 When you say little net risk, would that mean because

1 there was a significant amount of reinsurance
2 purchased for the risk?

3 A. There was a significant amount of
4 reinsurance available.

5 Q. Available. Which could be purchased?

6 A. Yes.

7 Q. Okay. What other arguments did he make?

8 A. That statistical information that had been
9 provided indicated that this was a reasonable risk to
10 undertake.

11 Q. Okay. Any others that you can think of?

12 A. (Moves head side to side.)

13 Q. Okay. And what did you do with -- this was
14 a written report, I take it?

15 A. Uh-huh.

16 MR. KLINE: Can I take a quick break?

17 MR. BANNIGAN: Sure.

18 (Break was taken from 9:32 a.m. to 9:39 a.m.)

19 Q. (BY MR. BANNIGAN) Let me go back to your
20 testimony earlier. You said that, in 1998, you
21 conducted an audit of Peter's book?

22 A. (Moves head up and down.)

23 Q. Do you remember when in 1998 you did that?

24 A. It was early in the year. It was probably
25 February, something like that.

1 Q. Okay. And when you concluded doing the
2 audit, was there some writing that you generated?

3 A. Yes.

4 Q. And it was at that point that you went and
5 saw Peter?

6 A. (Moves head up and down.)

7 Q. To discuss what your findings were?

8 A. Uh-huh.

9 Q. Okay.

10 MR. BANNIGAN: All right. Just so I
11 don't forget. There have been three documents now
12 mentioned, none of which I've seen, although they've
13 all been asked for: Peter Gumbrecht's business plan,
14 the audit that's just been testified to, and my
15 recollection is there was one other document. It
16 will come to me. And so I'm making a request for all
17 three of those documents.

18 MR. COTTON: We'll take it under
19 advisement and be in touch.

20 MR. BANNIGAN: That's fine. Having
21 regard for the outstanding request, that's sort of
22 being complied with at a snail's pace.

23 Q. (BY MR. BANNIGAN) Aside from coming upon
24 this GAP business in your audit, were there any other
25 risks that were being written which, in your view,

1 were not authorized?

2 A. No.

3 Q. Okay.

4 MR. COTTON: Could I belatedly -- when
5 you say "not authorized," can you define what you
6 mean by "not authorized"?

7 MR. BANNIGAN: Sure.

8 Q. (BY MR. BANNIGAN) Earlier, before we took
9 the break, you testified that Peter was not
10 authorized to write GAP business.

11 A. (Moves head up and down.)

12 Q. What did you mean by not authorized to
13 write GAP business?

14 A. Well, he wasn't specifically precluded from
15 writing it, because we weren't aware that it existed.
16 And we would have expected that something of that
17 nature, you know, would have been discussed at some
18 length. As I asked Peter to do belatedly, give me a
19 business case as to why we should write it, and I'll
20 run it up the flagpole and see if senior management
21 agrees that this is a product that we can undertake.

22 Q. Okay. Now, let me just go back now to
23 Mr. Cotton's inquiry. Were there other lines of
24 business that Peter was writing which were not
25 specifically authorized that you discovered for the

1 first time when you did this audit?

2 A. Not at that audit.

3 Q. At some point in time, were there other
4 lines of business that you discovered that Peter was
5 writing which were not specifically authorized?

6 A. Yes.

7 Q. When was that?

8 A. Later in the year.

9 Q. Later in '98?

10 A. Yeah.

11 MR. BANNIGAN: Before I explore that,
12 I do remember what the third document was. That was
13 Peter Gumbrecht's explanation as to why the company
14 should be writing GAP business. And I'm making a
15 specific request for that also.

16 MR. COTTON: Okay.

17 MR. BANNIGAN: And I'd truly like that
18 document before next week, since we'll be meeting
19 Mr. Gumbrecht at that time.

20 MR. COTTON: Okay.

21 Q. (BY MR. BANNIGAN) Now, jumping forward
22 later into 1998, what was the -- what was the other
23 or other lines of business that you discovered that
24 Peter had been writing which were not specifically
25 authorized?

1 A. There was an insurance for bonuses for
2 sports teams.

3 Q. Okay. Anything else besides that?

4 A. No.

5 Q. Okay. After you did your audit, after you
6 had your conversation with Mr. Gumbrecht, and after
7 he prepared his explanation as to why the company
8 should be writing this business, what's the next
9 thing you did in connection with that business?

10 A. Well, at the time I did the audit and at
11 the time I had the discussion with Peter, I said, We
12 don't write any more of these.

13 Q. You stopped writing them?

14 A. Yes.

15 Q. You gave him directions to stop writing the
16 business?

17 A. Correct.

18 Q. And that would have been still early in
19 '98?

20 A. Yes.

21 Q. Okay. And you gave him directions to stop
22 writing it. What happened next with respect to GAP
23 business, if anything?

24 A. We went through a period of time where he
25 was preparing that position paper and discussing it

1 with other people in the AIG organization.

2 Q. Okay. So in this interim period, while he
3 was preparing his response to your audit, he was
4 under directions that the -- withdrawn.

5 Let me just get this clear. What was the
6 particular organization name that he was working out
7 of in London?

8 A. AIG Europe.

9 Q. AIG Europe U.K.?

10 A. I believe that's the brand mark they went
11 by, AIG Europe U.K.

12 Q. So after the audit, AIG U.K. was under
13 directions not to write any more GAP film financing
14 insurance until there was, A, a response by Peter
15 and, then, further directions from the company?

16 A. Uh-huh. I'm sorry. Yes.

17 Q. Okay. How long a period of time elapsed
18 from your direction to Peter not to continue to write
19 the business until he prepared his report?

20 A. I would say two months, three months.

21 Q. Two months?

22 A. Uh-huh.

23 Q. Okay. And that would have been -- I'm just
24 trying to get the times down. I know the documents
25 will tell us the times. But we're still in early

1 '98, the first half of '98, you think?

2 A. Closer to midyear at that point.

3 Q. Midyear would be his report?

4 A. (Moves head up and down.)

5 Q. Okay. When he got his report -- withdrawn.

6 When you got his report, what's the next
7 thing that happened?

8 A. I shared it with the responsible parties in
9 the organization.

10 Q. Do they have names?

11 A. Joe Smetna.

12 Q. Joe?

13 A. Yes. S-m-e-t-n-a.

14 Q. And who was he?

15 A. The president of commercial lines division.

16 Q. Okay. Who else did you share it with?

17 A. Bob Lewis, Bob Lewis.

18 Q. Lewis? And who was Mr. Lewis?

19 A. The chief credit officer of AIG.

20 Q. Okay. Anyone else?

21 A. At that point, that was, I believe, it.

22 Q. Okay. When you say you shared it with
23 them, you gave them copies?

24 A. Yes.

25 Q. And at some point, did you discuss the

1 contents of the report with them?

2 A. Yes.

3 Q. Okay. And was this on a one-on-one with
4 each of them, or was it in a meeting?

5 A. One on one with each of them.

6 Q. Okay. With respect to -- I'll never get
7 this pronunciation right.

8 A. Smetna.

9 Q. Smetna.

10 A. Just as it's spelled.

11 Q. Okay. What did you and Mr. Smetna discuss
12 about the report?

13 A. Well, this was an area that was beyond our
14 expertise and was very much a financial arrangement,
15 not a traditional insurance arrangement. And we were
16 deferring to someone we saw as our financial -- a
17 financial resource, which was Bob Lewis.

18 Q. Okay. So did you and Mr. Smetna then go
19 speak to Mr. Lewis?

20 A. I went -- I spoke to him over the phone
21 after having sent him the report.

22 Q. Okay. Let me just step back. When you and
23 Mr. Smetna came to a conclusion that this product was
24 beyond your specific expertise, was this simply an
25 oral conversation?

1 A. Yes.

2 Q. Was there any writing between you and
3 Mr. Smetna where this was spelled out?

4 A. No, I don't believe so.

5 Q. Okay. All right. You went then to
6 Mr. Lewis?

7 A. (Moves head up and down.)

8 Q. Okay. And you and Mr. Lewis talked about
9 this product, correct?

10 A. Yes.

11 Q. And Mr. Gumbrecht's report?

12 A. Yes.

13 Q. And your audit?

14 A. Yes.

15 Q. And would you tell us what you said to
16 Mr. Lewis and what Mr. Lewis said to you about those
17 documents?

18 A. We discussed the arguments that Peter made,
19 and basically not persuaded at that point that it was
20 a viable product, and Peter was asked to provide some
21 additional information.

22 Q. And what was it about Peter's original
23 report that failed to persuade you?

24 A. Me personally?

25 Q. We'll start there, and then we'll go to

1 Mr. Lewis. That's okay.

2 A. Well, the whole thing, on its face, you
3 know, raises a lot of concerns. I mean, you're
4 talking about -- when you strip away a lot of the
5 insurance language, you're talking about eventually
6 backing Hollywood films, which didn't strike me as
7 being --

8 Q. You said "the language." Now, you're
9 talking about the language of the policies?

10 A. Well, for example, terming the whole thing
11 contingent extra expense. That's what I was
12 referring to.

13 Q. Okay. Those are labels. By the time you
14 had an opportunity to digest Mr. Gumbrecht's initial
15 report and speak to Mr. Lewis, had you had an
16 opportunity to look at any policies that fall within
17 the broad definition of GAP film finance insurance?

18 A. Well, before looking at policies, you
19 determine whether the general idea makes sense. And
20 we were at that stage.

21 Q. Okay.

22 A. Policy language is the last thing in the
23 chain, you know, when you're putting out an insurance
24 product.

25 Q. All right. Well, what was it that was

1 causing you some concern, the concept of the
2 insurance?

3 A. Yes.

4 Q. All right. What was it about the concept
5 of this type insurance that caused you a concern?

6 A. I'm more comfortable with insurance
7 products that has, as a loss trigger, a fortuitous
8 event that is outside the control of the insured.

9 Q. Okay. And how did GAP film finance
10 insurance, as you understood it at that time, depart
11 from those aspects of more traditional insurance that
12 you were comfortable with?

13 A. It involved guaranteeing loans, which were,
14 in turn, based upon the income stream from Hollywood
15 productions, a notoriously chancy venture. And
16 Hollywood accountants are also famous for their
17 creativity.

18 Q. Now, was this something you were aware of
19 about Hollywood accountants before --

20 A. Just a general perception, having read the
21 newspapers and --

22 Q. Okay. And the, quote, chanciness of films,
23 was something you were aware of --

24 A. From the same source. When you read any
25 newspaper and you see how many movie studios are in

1 opportunity to meet with Mr. Lewis and review
2 Mr. Gumbrecht's first report, in order to address
3 other concerns that you had, you asked Mr. Gumbrecht
4 to supplement that report; is that right?

5 A. Yes.

6 Q. Okay. Do you remember any specific
7 concerns that you and Mr. Lewis had that you wanted
8 Mr. Gumbrecht to address, as opposed to the concept
9 itself?

10 A. I believe one was more statistical data,
11 which Peter was going back to obtain.

12 Q. In other words, you wanted him to collect
13 and provide you with some statistical data?

14 A. Yes.

15 Q. And would that be data relating to loss
16 history?

17 A. In the sense of this product, yes.

18 Q. Anything else, any other type of data,
19 besides data relating to the loss experience of this
20 product?

21 A. No.

22 Q. Okay. Did you -- let me go back to
23 Mr. Lewis again. When you and Mr. Lewis were
24 discussing Mr. Gumbrecht's initial report, did either
25 you or he generate any reports or documents or

1 memoranda which incorporated, in any way, the subject
2 matter of your discussion?

3 A. There were E-mails.

4 Q. Between you and Mr. Lewis?

5 A. And Mr. Gumbrecht.

6 Q. And Mr. Gumbrecht.

7 MR. BANNIGAN: Stuart, we request the
8 E-mails.

9 Q. (BY MR. BANNIGAN) Were there any other
10 individuals in this E-mail triangle, besides you,
11 Lewis, and Gumbrecht?

12 A. Typically, you know, other parties would be
13 carbon copied.

14 Q. Who were the typical carbon copies on these
15 E-mails?

16 A. Probably Joe Smetna.

17 Q. Okay.

18 A. Probably Nick Walsh.

19 Q. Who was Mr. Walsh?

20 A. He ran the U.K. in Europe for AIG -- for
21 AIU, technically, even though they use AIG in the
22 trademark, so you can see why it gets very confusing.

23 Q. Where was Mr. Walsh located?

24 A. London.

25 Q. He was in London?

1 A. (Moves head up and down.)

2 Q. Did you have occasion to ask Mr. Walsh
3 whether he was aware that Mr. Gumbrecht was writing
4 this kind of business?

5 A. He would become aware through me.

6 Q. Okay. Is that because of the reporting
7 lines?

8 A. His function was as a general manager, not
9 as an underwriting manager.

10 Q. Okay. So Mr. Gumbrecht, in respect of
11 underwriting managers, reported to you?

12 A. Yes.

13 Q. With respect to office management, things
14 of that nature, he would deal with Mr. Walsh?

15 A. Yes.

16 Q. Okay. Now, at the time that you conducted
17 your audit, was Mr. Gumbrecht still in London?

18 A. Yes.

19 Q. Okay. Now, at some point in time, he moved
20 to Paris; is that correct?

21 A. Yes.

22 Q. Now, after you -- excuse me -- after you
23 and Mr. Lewis asked Mr. Gumbrecht to supplement his
24 report, what's the next thing that happened with
25 respect to the GAP business? Let me rephrase it.

1 While he was in the process -- withdrawn.

2 While he was under directions to supplement
3 his report, was the directive not to write any
4 additional GAP business still in place?

5 A. Yes.

6 Q. Okay. And did Mr. Gumbrecht, at your
7 request, provide you with supplemental information?

8 A. Yes, eventually.

9 Q. And did he do that in writing?

10 A. Yes.

11 MR. BANNIGAN: We call for it, Stuart.

12 Q. (BY MR. BANNIGAN) And what was the form of
13 the writing?

14 MR. COTTON: Can I just hear those two
15 questions? I want to make sure I have the question.

16 MR. BANNIGAN: It's a supplemental
17 report prepared by Mr. Gumbrecht.

18 MR. COTTON: Got you.

19 MR. BANNIGAN: And just -- we'll see
20 if we can clarify it.

21 Q. (BY MR. BANNIGAN) Was it one report or a
22 series of reports?

23 A. I believe it was one that was talking about
24 statistics, you know, supporting the --

25 Q. Do you recall when it was in 1998 -- if it

1 was still in 1998 -- that he provided this document
2 to you?

3 A. It was, I believe, definitely in the summer
4 at that point.

5 Q. Summer of '98?

6 A. Yeah, it was after -- after the turn of the
7 year, after the half year.

8 Q. You say "turn of the year," you mean fiscal
9 year?

10 A. No. I mean after July. It was August,
11 September.

12 Q. Okay. All right. Now, was this report a
13 paper report or an electronic report?

14 A. We typically communicate electronically.

15 Q. So this would have been an attachment to an
16 E-mail?

17 A. Yes.

18 Q. And when this report -- withdrawn.

19 Was this E-mail copied to the same people
20 that the other E-mails on this subject had been
21 copied to, that is, you and Mr. Walsh, Mr. Lewis?

22 A. I would expect.

23 Q. Okay. At any point when you were
24 conducting this -- withdrawn.

25 During the period of time that Peter was in

1 the process of preparing both reports, did you
2 communicate your concerns -- this is a yes or no
3 question -- with any attorneys inside the AIG
4 organization?

5 A. No.

6 Q. Okay. All right. After Peter generated
7 his supplemental report -- we'll call it a
8 statistical report -- what's the next thing that
9 happened at your end with respect to this GAP
10 business?

11 A. Nothing.

12 Q. Nothing happened. What did you do with the
13 report when you got it?

14 A. Gave it to Mr. Lewis.

15 Q. Okay. Did you and he discuss it?

16 A. He was still unpersuaded.

17 Q. He was still unpersuaded. Okay. And what
18 did you do -- withdrawn.

19 Were you still unpersuaded?

20 A. Yes.

21 Q. Principally relying on Mr. Lewis's
22 expertise?

23 A. Yes.

24 Q. Principally relying on Mr. Lewis's
25 expertise?

1 A. Yes.

2 Q. Now, at that point, what, if anything, did
3 you do? Did you report to anybody else in the
4 organization?

5 A. There was nothing to do because, to my
6 knowledge, we weren't writing it.

7 Q. Okay. Did you communicate back to Peter
8 after you received his supplemental report that your
9 direction not to write further risks of this nature
10 would continue?

11 A. Yes.

12 Q. Unless you changed your mind?

13 A. (Moves head up and down.)

14 Q. Okay. Did you -- withdrawn.

15 When Peter gave you his -- withdraw that.

16 When you did your audit, I think you said
17 that you found one document which indicated to you
18 that this type of business was being written?

19 A. (Moves head up and down.)

20 Q. When you brought your concern to Peter, did
21 you learn that more than one risk had been written?

22 A. Yes.

23 Q. And did you learn the extent of the
24 underwritings when you brought your concern to Peter?

25 A. I learned what Peter was willing to tell me